

26. SOCIAL SECURITY

Table 26-1. FEDERAL RESOURCES IN SUPPORT OF SOCIAL SECURITY

(In millions of dollars)

Function 650	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	3,205	3,164	3,226	3,225	3,225	3,225	3,225
Mandatory Outlays:							
Existing law	376,119	389,157	405,231	423,519	443,918	464,915	487,192
Proposed legislation	3	78	141	177	186
Tax Expenditures:							
Existing law	22,770	23,415	24,650	25,930	27,395	28,990	30,660

The Old-Age, Survivors, and Disability Insurance (OASDI) programs, popularly known as Social Security, will spend \$408 billion in 2000 to provide a comprehensive package of protection against the loss of earnings due to retirement, disability, or death.

Social Security provides monthly benefits to retired and disabled workers who gain insured status and to their eligible spouses, children, and survivors. The Social Security Act of 1935 provided retirement benefits, and the 1939 amendments provided benefits for survivors and dependents. These benefits now comprise the Old Age and Survivors Insurance (OASI) program. Congress provided benefits for disabled workers by enacting the Disability Insurance (DI) program in 1956 and added benefits for the dependents of disabled workers in 1958.

The Government will collect \$473 billion in Social Security taxes in 2000. These taxes will be credited to the OASI and DI trust funds, along with \$57 billion of interest on Treasury securities held by the trust funds.

In 1998, Social Security paid out \$372 billion to 42 million beneficiaries. These payments included \$250 billion in benefits to more than 30 million retired workers and their families. Along with retirement benefits,

Social Security also provides income security for survivors of deceased workers. In 1998, Social Security paid about \$73 billion in benefits to more than seven million survivors. The DI program provides income security for workers and their families in the event the family's primary wage earner becomes disabled. In 1998, Social Security paid about \$48 billion in benefits to more than six million disabled workers and their families.

Social Security is a crucial source of income for millions of Americans and their families. Without Social Security, elderly retirees and disabled workers would face a significantly higher risk of poverty. The OASDI programs will serve 45 million beneficiaries in 2000.

The Social Security Administration (SSA)

To operate a program of this magnitude, both in terms of the dollar amounts involved and the size of the population served, requires an efficient and responsive administrative structure. SSA, which administers the OASI and DI programs, touches the lives of millions of Americans every year. SSA also runs the Supplemental Security Income (SSI) program for low-income aged and disabled individuals, which is part of the Income Security function (see Chapter 25). In addition, the agency provides services that support the Medicare program on behalf of the Health

Care Financing Administration, which is part of the Medicare function (see Chapter 24). Because SSA interacts extensively with the American public, the Vice President's National Partnership for Reinventing Government designated SSA as a High Impact Agency.

SSA's caseload has grown markedly in recent decades, while its staffing levels have declined. The agency serves over 11 million more people today than it did 14 years ago, with 19,000 fewer full-time equivalent staff. More than 44 percent of the caseload growth has occurred in disability claims, which are substantially more complicated to administer than other types of claims. To maintain and improve performance under these conditions requires the agency to continuously increase productivity and efficiency.

SSA undertakes a variety of activities in administering its programs. These activities include issuing Social Security numbers, maintaining earnings records for wage earners and self-employed individuals, taking claims for benefits and determining eligibility, updating beneficiary eligibility information, educating the public about the programs, combating fraud, and conducting research, policy analysis and program evaluation. These activities are largely integrated across the various programs, allowing the agency to minimize duplication of effort and provide one-stop service to customers.

SSA's Performance Plan for 2000 includes a number of performance indicators that reflect the agency's goals of responsive programs, good customer service, efficiency and program integrity, and strengthening public understanding of Social Security. Like the agency's administrative activities, these goals cut across programs. SSA's commitments and performance measures for 2000 include the following.

Promoting responsive programs: SSA recognizes that Social Security programs must reflect the interests of beneficiaries and society as a whole. Programs must evolve to reflect changes in the economy, demographics, technology, medicine, and other areas. Many DI and SSI beneficiaries with disabilities, for example, want to be independent and work. Many of them can work, despite their impairments, if they receive the support they need.

Yet less than one percent of disabled beneficiaries in any given year actually leave SSA's programs due to work. One of SSA's strategic objectives is to shape the disability program in a manner that increases self-sufficiency.

The budget proposes a new program to encourage DI beneficiaries and SSI disabled recipients to enter the workforce. Currently, SSA refers these beneficiaries to State employment service providers. Under this proposal, beneficiaries can choose their own employment service provider—and the provider can keep a share of the DI and SSI benefits that the Federal Government will no longer pay to these individuals once they leave the rolls. The budget also includes a demonstration project that reduces an individual's DI benefits by \$1 for each \$2 earned above a specified level. Under current law, a DI beneficiary in the extended period of eligibility receives no cash benefit if he or she earns more than \$500 in a month.

SSA plans to set numerical goals for increasing the number of working DI and SSI disabled beneficiaries. The goals will be set once baseline data is available.

Improving customer service delivery: Roughly three-quarters SSA's total administrative budget is devoted to the day-to-day work generated by requests for service from the general public. Much of this work takes the form of determining eligibility and processing claims for benefits. The time required to process claims for benefits is affected by the design of the eligibility determination procedure, as well as by the level of resources earmarked for claims-processing activities and the number of claims received.

- In 2000, the average processing time for initial disability claims will be 100 days, maintaining SSA's current performance level on this measure.

The budget provides sufficient administrative funding to meet this goal. SSA also is investigating ways to streamline its disability eligibility determination process. Because any benefits from process changes would not materialize until after 2000, the performance goal is based on the current process. Once SSA has made decisions on how to redesign its disability determination process,

it will specify long-term performance goals for claims processing time that are relevant to the redesigned process. Improving the disability determination process is one of the Administration's PMO's for 2000.

- SSA will maintain its current performance level of processing 83 percent of OASI claims by the time the first regular payment is due or within 14 days from the effective filing date, if later.
- SSA will maintain its current performance level of ensuring that callers gain access to the toll-free 800 number within five minutes of their first call 95 percent of the time. Ninety percent of callers will get through on their first attempt.

Increasing operational efficiency and program integrity: The budget includes approximately \$1.7 billion for activities undertaken by SSA to ensure the integrity of records and payments. These activities include reviewing claimants' eligibility for continued benefits, collecting debt, detecting overpayments, and investigating and deterring fraud.

SSA is in the midst of a seven-year effort to eliminate the backlog of Continuing Disability Reviews (CDRs) that built up prior to 1996. To stay on schedule for eliminating the backlog by the end of 2002, SSA will conduct 1.9 million CDRs in 2000. SSA completed 26 percent of its plan in 1998 and expects to reach 44 percent completion by the end of 1999. This concentrated effort is helping increase public confidence in the integrity of SSA's disability programs by ensuring that only people who continue to be disabled receive benefits. CDRs conducted in 1998–2002 will produce an estimated five-year savings of \$5.3 billion in the DI program and \$3 billion in the SSI program. The budget includes the funds necessary to keep the plan on schedule.

- In 2000, SSA will complete 63 percent of its plan for eliminating the backlog of Continuing Disability Reviews.

In a program the size of SSI, a small percentage error translates into large dollar amounts. Consequently, SSA has committed to improving the SSI payment accuracy rate to at least 96 percent by 2002. The goal for 2000 equates to a reduction in overpayment

errors of \$160 million below the 1996 level; the goal for 2002 equates to a \$535 million overpayment error reduction.

- SSA will improve the SSI payment accuracy rate to 95 percent in 2000, up from 94.5 percent in 1996.

The best tool for improving the accuracy of SSI payments is the redetermination process, which assesses the income and resources affecting beneficiaries' eligibility and payment amounts. SSA saves \$7 in for every \$1 spent on redeterminations. The budget includes \$75 million for an additional 400,000 high-error profile redeterminations, bringing the total number of non-disability redeterminations to 2.2 million.

Strengthening public understanding of Social Security programs: The budget includes more than \$100 million for the development, production and distribution of products to educate the public about the benefits available through Social Security, as well as Social Security's larger impact on society. SSA will conduct a survey in 1999 to measure the current level of public understanding, which will be used as baseline data to measure progress toward this strategic goal.

Part of the public education is the issuance of Personal Earnings and Benefit Estimate Statements (PEBES), which provide workers with an estimate of their potential future Social Security benefits based on their earning history to date. Starting in 2000, SSA is required by law to issue PEBES every year to all eligible workers age 25 and over.

- SSA will issue 126 million PEBES in 2000, reaching all eligible workers age 25 and over as required by law.

Tax Expenditures

Social Security recipients pay taxes on their Social Security benefits only when their overall income, including Social Security, exceeds certain income thresholds. The exclusion of Social Security income below these thresholds reduces total income tax revenue by \$25 billion in 2000 and \$138 billion from 2000 to 2004.